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FOREIGN SERVICE DESPATCH

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SUBJECT: WEEKLY NO. 24 - ECONOMIC SECTION

SECTION II

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Faced with the necessity of providing large appropriations for the Government's economic development program, the Finance Committee of the Guatemalan Congress recommended that no funds be provided in the 1953-4 budget for the National Petroleum Institute, which was described as having failed to achieve results. Sr. Carlos ACEVEDO, Manager of the Production Development Institute (INFOP), announced that the 700,000-pound 1952-3 chicle crop was being stored in hopes that foreign buyers would offer higher prices.

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National Petroleum Institute

The Finance Committee of the Guatemalan Congress this week eliminated from the 1953-4 budget the requested appropriation for the National Petroleum Institute (INP) because the Institute "is unnecessary and has not achieved the results originally expected of it". Sr. José MENDEZ Zebadua, INP Director, is reportedly to be transferred to the Directorate General of Mining as a petroleum technician and the remaining personnel is to be released.

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Sr. Humberto VELIZ González, Director General of Mines, has privately commented that the foregoing decision

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is sensible and that there will be no Congressional opposition to terminating the INP's activities as of June 30, 1953. He said that the Institute was serving no purpose, as no one was exploring or exploiting Guatemala's petroleum resources, and it was unlikely that such activities would be initiated in the near future.

The Petroleum Institute was established in 1949 to administer the nationalistic Petroleum Law of that year and to exploit potential oil reserves with its own resources. Because the Law was so restrictive as to preclude development the three foreign oil-producing companies which were then conducting exploration activities in Guatemala suspended operations when it was submitted to Congress. The INP has been unable to conduct serious exploration of potential reserves due to lack of funds and domestic experience. Oil companies were hopeful that President ARBENZ would sponsor more liberal legislation but his administration has shown no inclination to do so.

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Chicle

Sr. Carlos Acevedo, Manager of the Production Development Institute (INFOP), informed the press that the 1952-3 chicle crop of 700,000 pounds was being held in warehouses in hopes that foreign buyers would better the $66 per hundredweight offer which had been received from the Wrigley Company of Great Britain. He said that INFOP had sold the 1951-2 crop of 2,000,000 pounds for $83 per hundredweight and that it was not true that synthetic chicle had ruined the market as various foreign firms were continuing to buy the natural gum, "which is of much higher quality", in neighboring British Honduras.

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The local Wrigley representative stated privately that the British branch of the company actually offered to purchase only 150,000 pounds of chicle; that it is the sole buyer of chicle in British Honduras; and that it continues to buy the natural product because at $66 per hundredweight it is cheaper than synthetic chicle imported into the United Kingdom from the United States, the only manufacturer.

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Although the Wrigley Company (United States), which has been the only buyer of Guatemalan chicle in recent years, announced in August 1952 that it would not purchase any of the 1952-3 crop, the INFOP, in response to political pressure from the Department of El Petén, whose economy is largely dependent on chicle, continued to finance the small contractors operating there. There have been repeated warnings that the high export tax (20.25 per hundredweight) on chicle and the development of synthetics were killing the industry but the Government has taken no realistic steps to remedy the situation and the INFOP may incur a considerable loss on its holdings.

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Atlantic Highway

The Information and Publicity Office of the Presidency announced this week that the scheduled inspection tour of the Atlantic Highway by a group of specially-invited local reporters had been postponed because the heavy rains in the northeastern sector of the road had caused "innumerable hindrances to traffic". The announcement said that the Directorate General of Roads would set a new date for the trip. Reporters who visited the Ministry of Communications were unable to obtain further details.

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It will be recalled that under the 100-day intensive work program which began January 1, 1953, grading and draining was reportedly progressing at the rate of four kilometers a week. However, an American engineer who visited the project in early February forecast that a large part of the construction would be washed out during the rainy season because of inadequate drainage and reinforcement.

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R. E. Schoenfeld
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